

# AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

**AUDITOR/CONTROLLER** • 222 West Hospitality Lane, Fourth Floor  
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**LARRY WALKER**  
Auditor/Controller-Recorder  
County Clerk

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December 2, 2004

**Jerry Harper**, Chief Probation Officer  
175 West Fifth Street  
San Bernardino, CA 92415

## **SUBJECT: AUDIT OF PROBATION DEPARTMENT TRUST FUND ACCOUNTS AND CASH FUNDS**

### **Introductory Remarks**

In accordance with the requirements of Section 275 of the Welfare and Institutions Code, we have performed an audit of the trust fund accounts and cash funds for the San Bernardino County Probation Department. Our audit covered the period from July 1, 2002 to June 30, 2004. The Probation Department maintains the following trust funds in outside bank accounts and within the County Treasury:

#### **Bank Accounts**

Kuiper Youth Center Trust Fund  
Regional Youth Educational Facility Trust Fund  
Youth Accountability Boards Trust Fund  
Juvenile Hall Trust Fund  
Project Focus-West Trust Fund  
Sustaining Trust Fund  
Youth Justice Center Trust Fund

#### **County Treasury**

Asset Litigation Trust Fund  
Special Trust Fund  
Title 4E/14A Trust Fund  
Asset Forfeiture Litigation Trust Fund  
Asset Forfeiture Trust Fund - 15%

In addition, the Probation Department maintains various petty cash funds, partly held in checking accounts and partly as cash on hand.

### **Scope of the Audit**

We audited the books and accounts kept by the Probation Department for the purposes described in the above code section. Our audit was made in accordance with the standards of the Institute of Internal Auditors, and included examination of selective

financial transactions, operating procedures, and controls in effect over the above mentioned cash accounts and trust funds, and such other auditing procedures we considered necessary in the circumstances.

We identified organizational, procedural, and accounting changes that could, when implemented, strengthen the internal controls over the department's trust fund accounts and cash funds. The results of our audit are presented in the Findings and Recommendations section of this report. The audit work performed would not necessarily disclose all material weaknesses in internal controls.

### **Results of Audit**


The attached findings for both prior year and current year have been discussed with management and are in the process of being implemented. Also attached is the Summary of Year End Balances (Schedule 1) which presents fairly the year ending cash balances on 6/30/03 and 6/30/04 for all trust and cash funds held by the Probation department.

### **Acknowledgements**

We wish to thank the management and staff for their full cooperation during the audit.

Respectfully submitted,

**Larry Walker**  
Auditor/Controller-Recorder

By:   
**John W. Snell**  
Internal Auditor

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### **ACTIONS TAKEN ON PRIOR FINDINGS AND RECOMMENDATIONS**

The Probation Department Audit Report dated January 10, 2003 contained one finding which has not been adopted. All other findings have been corrected and no further action is needed. Further recommended action for finding one is shown below.

**Prior Finding 1:** For the Special Trust Fund (VCY), the Financial Accounting System (FAS) reports were not completely reconciled to reports from Central Collections.

#### **Prior Recommendation:**

The monthly Financial Accounting System (FAS) report (FZ403 – Trust and Agency Detail Listing by General Reporting Category) should be reconciled monthly to the reports from Central Collections.

#### **Current Status:**

The Probation Department is performing a reconciliation however the reconciliation is not in a clear and formally documented format.

#### **Further Recommended Action:**

Each month conduct a clear and formally documented reconciliation from the FZ403 report to both probation records and collections records for disbursements and cash balances.

#### **Department's Response:**

Staff formulated a revised procedure for the reconciliation process. This method has been approved based on additional discussion with the auditor and has been implemented. The procedure manual is being updated to reflect the revisions.

### **FINDINGS AND RECOMMENDATIONS**

**Finding 1:** Petty cash overages were not deposited in the overage fund.

The County's Internal Controls and Cash Manual requires that all overages be deposited immediately into the cash overage fund.

Overages were found in four of the six petty cash funds. The majority of the fund overages that occurred during the audit period could not be explained and it could not be determined how long the overages have existed.

**Finding 1: - Continued**

**Recommendation:**

Deposit overages to the overage fund immediately.

**Department's Response:**

The department is in agreement with this finding and will promptly deposit these overages into the proper fund. The supervisors of these trust funds will be requested to routinely audit the accounts and any future overages will be dealt with in an appropriate manner.

**Finding 2:** The revolving trust funds have checks that have been outstanding for more than one year.

The internal Controls and Cash manual requires that all checks be voided after six months. The checks should display the words, "Void six months from issue date" on the face of the check. Currently, outstanding checks date as far back as March 2002. The checks could be lost, stolen and/or manipulated if not voided timely.

**Recommendation:**

Print all checks with the words "void six months from issue date" on the face of all checks. Follow up with all checks outstanding for more than six months in a timely manner. Adjustments need to be made to the bank balances for any checks outstanding longer than six months.

**Department's Response:**

The department is in agreement with this finding and has modified the check writing program to print the statement as shown above on all future checks. A policy has been implemented so that any check outstanding at the end of 90 days will require a written memo to the recipient. At the end of six months bank balances will be adjusted if necessary.

**Finding 3:** An inappropriate expense was made from the Sustaining Trust Fund.

Current probation trust fund policies state that all trust fund monies are to be used for, "activities, supplies, and equipment that directly benefit the youth population in department programs". A payment tested from the Sustaining Trust Fund was found payable to La Copa Café, which was to pay for the lunch of the interviewing panel for a new Chief Probation Officer.

**Finding 3: - Continued**

The expense clearly does not meet probation's trust fund policy as a valid trust fund expense. The transaction appeared to be processed due to "management override" of fiscal services approval. Upper management override sets an undesirable tone and undermines the authority and responsibility of employees trying to follow procedures.

**Recommendation:**

Ensure that upper management reviews current policies on valid trust fund expenses so that the internal controls put into place to safeguard cash and the reporting of transactions are properly followed.

**Department's Response:**

Payment to cover lunch for the interview panel for the Chief Probation Officer at the La Copa Cafe' was paid out of the Sustainable Trust fund due to a misunderstanding and resulting error of judgment. The current policies have been reviewed and the reporting of transactions will be properly followed in the future.

**Finding 4: Four trust funds do not meet the definition of a trust fund under the GASB 34 standards.**

GASB 34 requires that only valid trust funds held for specific individuals or outside organizations be recognized as trust funds. The following trust funds are not held for specific individuals or outside organizations but are held for the youths in juvenile institutions as a whole and can be used for any expense in the program to assist the youth.

- Asset Forfeiture Litigation Trust Fund (fund NNW)
- Title 4E/4A Trust Fund (fund NQQ)
- Asset Forfeiture Trust Fund – 15% (fund NNX)
- Asset Litigation Trust Fund (fund NNZ)

**Recommendation:**

Contact the General Accounting Section of the Auditor/Controller's Office to convert the trust funds to special revenue funds.

**Department's Response:**

On January 25, 2005, a request was submitted to Sonia Hermosillo, General Accounting Supervisor, asking that the four funds above be converted to special revenue funds. The department will proceed based on direction received.

**Schedule I**

**Summary of Year Ending Balances**

Description	Bank	Account #	Fund	Balance at 6/30/2003	Balance at 6/30/2004
<b>Petty Cash</b>					
Admin office	N/A	N/A	PRB	100	106
Central Juvenile Hall	N/A	N/A	PRN	500	500
West Valley Juvenile Hall	N/A	N/A	PRN	200	202
<b>Total</b>				<b>800</b>	<b>808</b>
<b>Revolving Cash</b>					
Admin indigent travel	N/A	N/A	PRN	300	305
<b>Total</b>				<b>300</b>	<b>305</b>
<b>Petty Cash Checking</b>					
Admin office	Bank of America	06288-22503	PRB	2,900	2,900
<b>Trust Funds</b>					
<b>Bank of America</b>					
Youth Justice Center Trust	Bank of America	06280-80106	N/A	11,290	33,596
Youth Accountability Trust (YAB)	Bank of America	06285-80113	N/A	10,449	7,802
Sustaining Trust	Bank of America	06288-80107	N/A	4,687	4,369
Project Focus Trust	Bank of America	06287-80112	N/A	55,075	41,409
James Kuiper Youth Center	Bank of America	06286-80103	N/A	200	200
Juvenile Hall Trust	Bank of America	06280-80101	N/A	39,144	51,448
Treatment Division Trust	Bank of America		N/A	13,631	9,839
RYEF Trust (Regional Youth Educational Facility)	Bank of America	06286-80108	N/A	290	587
<b>Total</b>				<b>134,766</b>	<b>149,250</b>
<b>Petty Cash Trust Funds</b>					
Central Juvenile Hall	N/A	N/A	N/A	500	500
West Valley Juvenile Hall	N/A	N/A	N/A	200	201
<b>Total</b>				<b>700</b>	<b>701</b>
<b>County Treasury</b>					
Asset Forfeiture Litigation	N/A	N/A	NNW	1	1
Probation 4E/4A Monies	N/A	N/A	NQQ	10,000	10,000
Probation-Asset Forfeiture 15%	N/A	N/A	NNX	13,598	13,598
Asset Forfeiture - Probation	N/A	N/A	NNZ	67,463	68,504
Probation - Spec Trust	N/A	N/A	VCY	161,220	65,818
<b>Total</b>				<b>252,282</b>	<b>157,921</b>
<b>Grand Total</b>				<b>391,747</b>	<b>311,885</b>

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Assistant Auditor/Controller-Recorder  
Assistant County Clerk

**September 8, 2003**

**Gary Penrod, Sheriff**  
Sheriff's Department  
655 E. 3<sup>rd</sup> Street  
San Bernardino, CA 92415-0061

**SUBJECT: AUDIT – SHERIFF'S DETENTION AND CORRECTIONS**

## **Introductory Remarks**

In compliance with Article V, Section 6, of the San Bernardino County Charter and the Board of Supervisor's Policy Statement on Internal Operational Auditing, we have completed an operational audit of the Bureau of Detention and Corrections. Our audit covered controls in effect during March 2000 through April 30, 2003 and was made in accordance with the standards developed by the Institute of Internal Auditors. Our tests of transactions covered April 1, 2002 through April 30, 2003.

A draft report was sent to the Bureau of Detention and Corrections on 03/01/2005. This audit was discussed with the Bureau of Detention and Corrections on 08/25/03. Responses to the recommendations received on 03/17/2005 are included in the report.

## **Purpose and Scope of Audit**

Our audit was conducted to review operations in use by the Bureau of Detention and Corrections and to make recommendations to improve internal control procedures over the department's booking process, abandoned funds, Jail Mental Health Services, inmates released from custody and related compliance issues.

## **Conclusion**

Based on work performed within the areas documented in the Purpose and Scope section above, it is our opinion:

The Sheriff's Detention and Corrections Bureau overall is performing its duties and responsibilities adequately. There were some areas however that the department may want to explore to accomplishing its tasks more efficiently and effectively.

- Written policies and procedures for assessing inmates with mental illness were adequate; however the Department of Behavioral Health did not always document and maintain mental health records as agreed upon in their Memorandum of Understanding.
- The mental health staff was qualified to provide service to mentally ill inmates; however medication was not always reaching inmates timely.
- Controls and procedures have been established to account for the Inmate Trust Accounts; however reconciliation was not performed daily and return of personal property receipts (cash) to inmates was not timely.
- Written procedures and internal controls for the Inmate Trust Accounts were functioning as intended; however the trust account duties were not segregated.

## **FINDINGS AND RECOMMENDATIONS**

### **Finding 1: Mental Health records were not properly maintained.**

Jail Mental Health Services (JMHS) must meet minimum standards for detention facilities as required by the State of California under Title 15.1.1.4, Article 10, i.e. the Memorandum of Understanding (MOU). Under the MOU, the Department of Behavioral Health (DBH) is required to maintain complete and dated medical/mental health records for inmate patients.

Written policies and procedures for the maintenance of mental health records were not enforced as agreed upon is in the MOU. Forms or reports were incomplete and/or not present in 31 of the 60 medical charts reviewed. We noted the following inaccuracies:



**Finding 1: Mental Health records were not properly maintained. - *Continued***

- Assessment forms and progress notes were incomplete as required for official health records.
- Medication was not dispensed to the inmates in a timely manner.
- Inmates were not seen within three days of request for mental health services.
- Monthly quality management audits performed by clinical therapists do not adequately identify problems and/or recommendations.

**Recommendation**

The chronically mentally ill inmates must be monitored consistently and continually. It's important that inmate health assessments be comprehensive and well documented for chronic illness, mental health disorders, and substance abuse by all staff gathering medical/mental health history.

To reinforce proper monitoring, implement periodic on-site visits and annual focus audits by a team of reviewers to provide a means of evaluating the delivery of mental health services. The team of reviewers should include the Sheriff's department mental health liaison and DBH compliance officer. The review team should audit health records and report findings to management. Corrective action should be written and presented to management with deadlines for correction. Technical assistance activities (training) should also be provided to JMHS staff to correct errors and provide assurance of compliance.

**Department's Response:**

In January 2005, the Sheriff's Health Care Administrator and DBH Deputy Director responsible for Forensic Services initiated monthly meetings to ensure that these issues were researched and addressed. In February 2005, a nationally renowned consultant was hired to review the current mental health system and make recommendations to improve the quality of care delivered. His report is currently being reviewed.

Since the April 2003 audit, JMHS has increased its staffing by three FTE and reviewing a staffing plan to provide a minimum level of care as required by Title 15. JMHS is in the process of re-writing policies and procedures. The MOU between the Sheriff's Department and DBH is currently undergoing revision.

**Finding 2: Written policies and procedures for maintaining inmate records were not always followed.**

California Regulations- Title 15.1.1.4, Article 4- Records and Public Information §1041, Inmate Records, requires that all Type I, II, III or IV facilities develop written policies and procedures for the maintenance of individual inmate records that includes, but is not limited to, intake information, personal property receipts, commitment papers, court orders, etc. Incomplete records were found in 21 out of 24 booking jackets. Inaccurate information creates inefficiencies and exposes the department to inmate property claims and potential for large dollar claims. Losses that result from reimbursing inmates for missing items are financed by the County General Fund.

**Recommendation**

Although the booking officer is responsible for reviewing booking jackets for completeness at the time of acquisition, all employees who process inmates are responsible for the security and proper documentation of the inmate property under their control. To ensure that procedures are followed properly, revisit department procedures with staff to ensure that staff is aware of and understands the procedures. Utilize a checklist to be attached to the audited file after completion. Create a peer-review system to review booking jackets for completeness and to foster teamwork and quality performance.

**Department Response:**

The Corrections Bureau Administrative Support Unit (ASU) conducts annual record audits at all three facilities. There is a current "peer-review" program in place to conduct similar audits daily, which is being stepped up with additional training to emphasize the quality necessary. The system is being reviewed for a more effective process with more involvement from ASU's compliance and training components.

**Finding 3: Inmate personal property receipts were not always returned upon release.**

Upon incarceration, inmate personal property receipts (cash) are receipted and deposited into a trust. Friends and relatives are also allowed to deposit monies for the inmates' use. The amounts of monies received, commissary purchases made, and available cash balance for each inmate is recorded into the Jail Information Management System (JIMS). Upon release, any balance remaining in the inmate's trust account should be reconciled within the JIMS and refunded at the time of release or transferred to another correctional facility.

**Finding 3:** Inmate personal property receipts were not always returned  
Upon release. - *Continued*

JIMS generates a list of inmates to be released as of date specified. The duty officer releases the inmate off of the JIMS and a receipt is automatically generated. The inmate being released will be sent to the released window to claim payment; however these procedures are not always followed. The department does not always perform cash reconciliations, so that refunds can be made upon release. Sixty transactions totaling \$16,522.56 were tested. Forty-six transactions, totaling \$12,477.68 were not reconciled and returned timely. There are written procedures that instruct personnel to send correspondence to the inmates' last known address for claim of reimbursement. In many instances, the unclaimed monies and/or returned checks are stale dated and transferred to the Inmate Welfare Trust Fund. Because inmates and their families have the right to file risk management claims for personal property receipts, untimely release of cash receipts exhaust staff resources to process untimely claims. In extreme cases, non-reimbursement of cash receipts lead to civil claims that damages the County's reputation and its relationship with the public.

**Recommendation**

To minimize the potential claims, it is recommended that the following actions be taken:

- Ensure that all inmate monies are promptly properly recorded and deposited.
- Terminate all commissary transactions upon notice of release and all refunds made should be promptly recorded to the inmate's account.
- Reconcile Inmate Trust Accounts daily and upon release.

**Department Response:**

The Jail Information Management System (JIMS) is in the process of being reprogrammed to a web based system (ACTFAST). ACTFAST is much more comprehensive and designed to specifically address these issues. Additionally, extensive training has been implemented and will continue with the new programming and installation.

**Finding 4:** Trust Account duties were not segregated.

The Fiscal Clerk II's duties were not segregated. The clerk responsible for the accounting of the Inmate Trust Accounts performs all the functions related to cash, custody, record keeping and reconciliation. The lack of segregation increases the risk that employee errors and irregularities may occur and not be detected and corrected.

**Finding 4: Trust Account duties were not segregated. - Continued**

**Recommendation:** The duties of receipting and depositing monies need to be segregated from those recording receipts to the inmates' accounts. When segregating duties is not possible, compensating controls can be implemented such as having the supervising accountant review reconciliations, deposits and daily reports.

**Department Response**

At the time of the audit, many of the controls in place were combined because of staff shortages. An internal control matrix has been implemented to compensate for times of staff shortages, and vacant positions have since been filled to eliminate the combination of duties.

Respectfully submitted,

**LARRY WALKER**  
Auditor/Controller-Recorder

By: \_\_\_\_\_  
**Carla D. O'Ferrall**  
Internal Auditor II

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